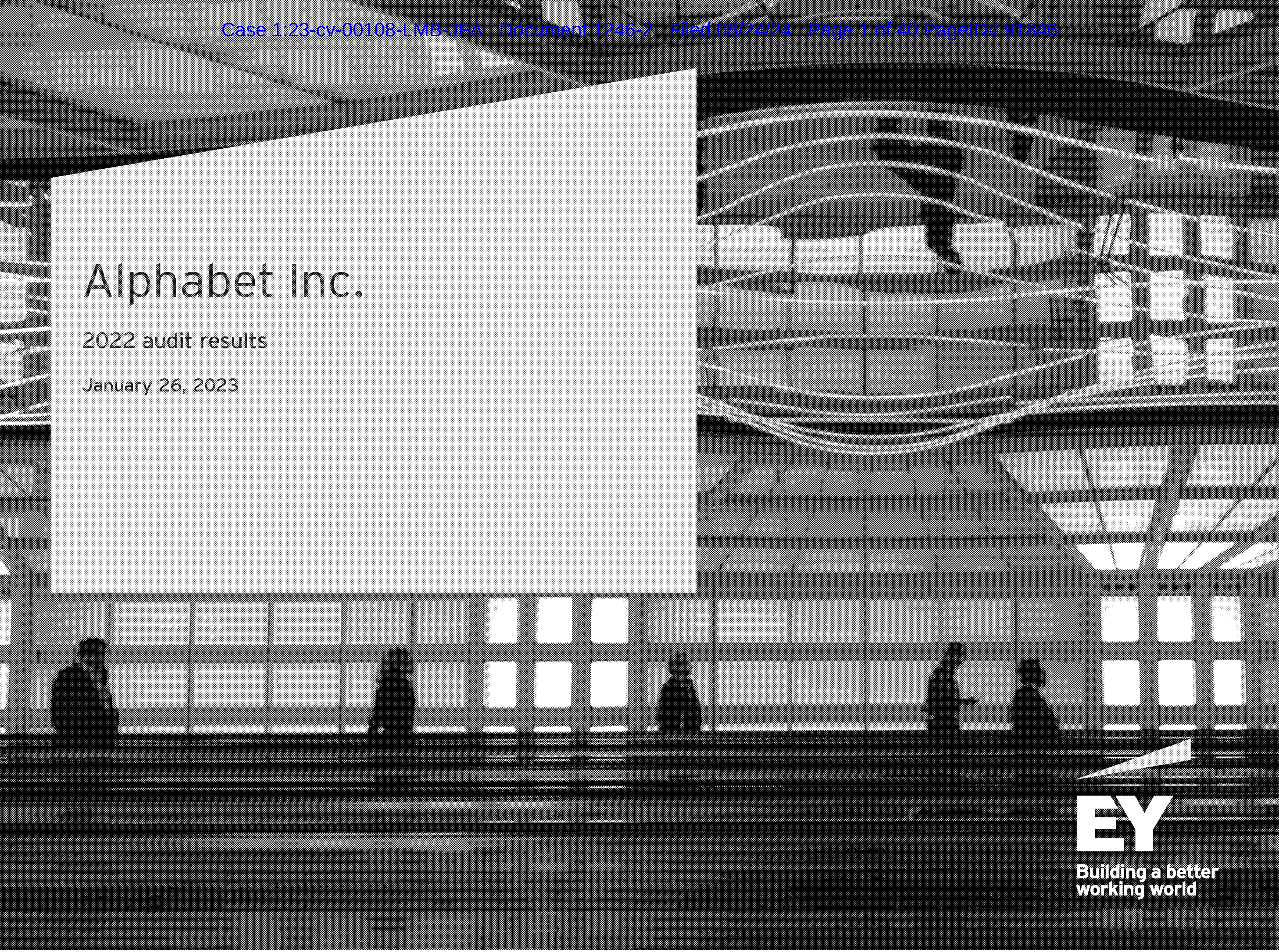
Alphabet Inc.

2022 audit results

January 26, 2023



Agenda

- Executive summary
- Internal control over financial reporting
- Critical audit matters (CAMs)
- Inquiries related to matters relevant to the audit
- Appendices

Executive summary

[redacted]

Internal control over financial reporting

Focus areas and related observations

- Controls in areas impacted by macroeconomic environment:
  - Increased procedures to evidence management review – determined these controls to be designed and operating effectively to address risk of material misstatement
- SAP-enabled finance transformation (including Devices and Services in 2022):
  - Stabilization in the current year resulted in fewer design and operating deficiencies in areas impacted by change, relative to prior years
- Increased focus and review related to application controls:
  - Updated application control procedures allow for better understanding of risks related to data used in a control
- No aggregation concerns (by account or component of internal control) from identified deficiencies

Deficiencies identified and deficiency rate by control type*
(excluding deficiencies at third party service providers)

[redacted]

Notes:

** Deficiency count as of January 20th*

^ Includes manual, IT dependent and application controls

EY

Critical audit matters (CAMs)

What is a CAM?

A CAM is any matter the auditor communicated or was required to communicate to the audit committee that both:

- Relates to accounts or disclosures that are material to the financial statements
- Involves especially challenging, subjective or complex auditor judgment

Publicly filed CAMs

- Common CAM topics
  - Revenue
  - Goodwill
  - Business combination
  - Income taxes
  - Loans and receivables
  - Contingencies
- Average number of CAMs is between one and two

Final assessment of CAMs

We have performed our final assessment of CAMs for the current year audit; the following matter was determined to be a CAM:

CAM	Rationale	Audit response
[redacted]		

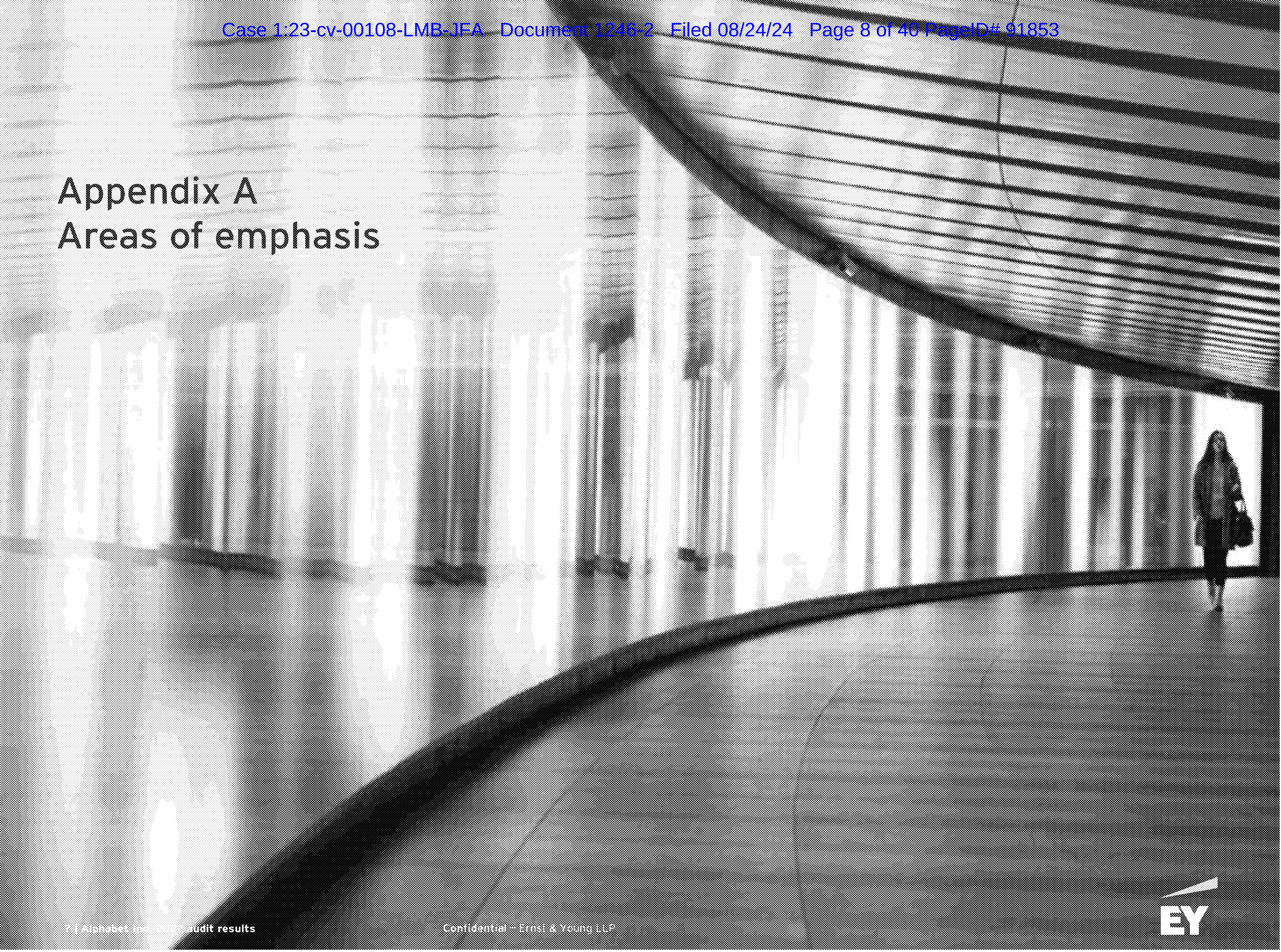
Inquiries related to matters relevant to the audit

- Inquiries of the audit committee are intended to assess the board's awareness of important matters pertaining to the audit, including:
  - Your views about the risks of material misstatements due to fraud, including the risks of management override of controls.
  - Your knowledge of any actual, alleged or suspected fraud.
  - Your awareness of tips or complaints regarding the Company's financial reporting (including those received through the "whistleblower" program), other matters relevant to the audit (such as violations or possible violations of laws or regulations) or any significant unusual transactions.
  - How you exercise oversight over the Company's assessment of fraud risks and the establishment of controls to address these risks.
  - Your understanding of relationships and transactions with related parties that are significant to the Company and any concerns related to those relationships or transactions.

Appendices

A	Areas of emphasis
B	Audit opinion - DRAFT
C	PCAOB rule 3526 independence letter - DRAFT
D	Material written communications
E	Required communications
F	Other updates
G	Pre-approval of services

Appendix A
Areas of emphasis



Areas of emphasis

Advertising revenue and related accounts

[redacted]

Areas of emphasis

Google Cloud

[redacted]

Areas of emphasis

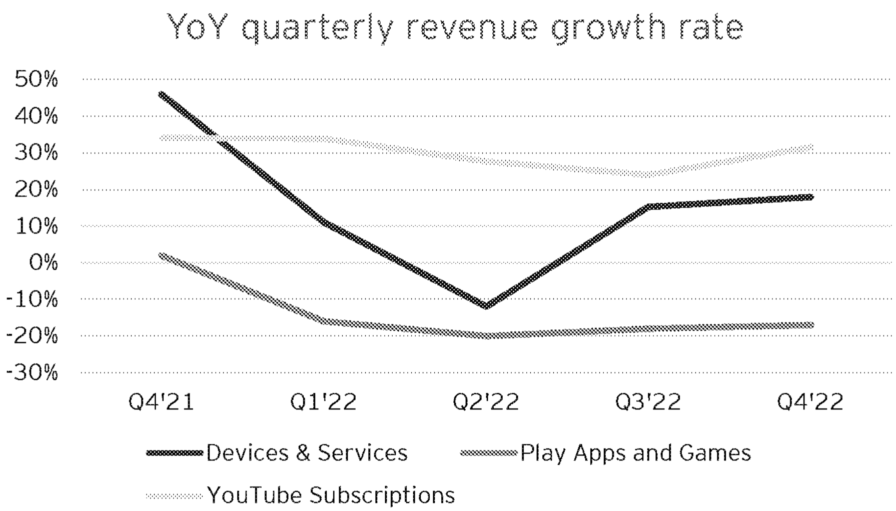
Other Google Services

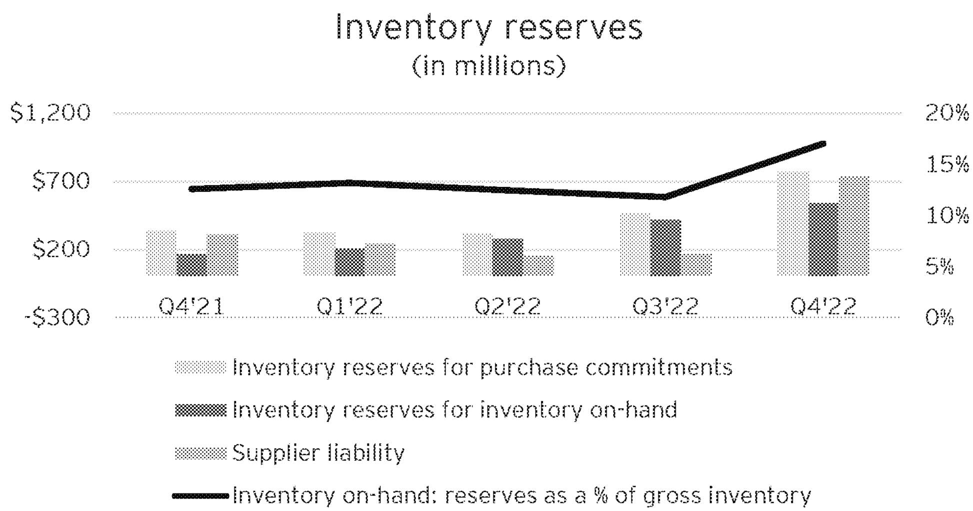
Procedures

- Performed disaggregated revenue analytics by product area
  - Play Apps and Games – analytics over consumer spend, revenue and credit card fees
  - YouTube Subscriptions – analytics over revenue and content acquisition costs
  - Device & Services (D&S) – analytics and tests of details over revenue and gross margin trend analysis
- Reviewed significant customer and partner contracts
  - Credit card partners
  - YouTube Subscription partners
  - Device & services retailers and partners
- Performed year-end count of D&S inventory and assessed reasonableness of inventory-related reserves and supplier liability

Observations

- Play Apps and Games revenue impacted by decline in consumer spend due to macroeconomic headwinds, changes to developer fee structure and FX
  - Effective Google revenue share rate decreased from 28.7% in 2021 to 27.0% in 2022
- YouTube Subscriptions revenue and content acquisition costs growth driven by new TV and Premium subscriptions
  - Significant content acquisition partnership agreement with National Football League executed in Q4'22
- Macroeconomic environment and increased pricing pressure from competitors resulted in lower-than-expected D&S revenue and increased inventory-related reserves and supplier liability
  - Inventory-related reserves and supplier liability of $2.0 billion as of year-end ($1.2 billion recorded in Q4'22)
  - Reasonable methodology and assumptions used to estimate expected losses and excess supply





Areas of emphasis

Legal contingencies

[redacted]

Areas of emphasis

Investment activities

[redacted]

Areas of emphasis

Fixed assets

[redacted]

Areas of emphasis

Income taxes

[redacted]

Management's judgments and estimates

Provided below is a summary of significant accounting policies (SAP) and critical accounting estimates (CAE) as defined in PCAOB AS 1301, which are in accordance with US GAAP. Our assessment includes evaluation of the quality and application of accounting policies, reasonableness of estimates, and appropriateness of disclosures. We consider these policies and estimates to be reasonable and appropriate.

Description	Types of judgments	Significance[3]	Degree of subjectivity	Degree of complexity	Degree of estimation uncertainty
Revenue recognition[1] and related allowances	Cross product area arrangements, including contract combination, reciprocal transactions, and contracts with multiple performance obligations	Moderate	Moderate	High	Moderate
	Principal versus agent (e.g., Google Network properties)	High	Low	Moderate	-
	AR allowances, including spam reserve, customer rebates and incentives, and allowance for credit losses	Low	Moderate	Low	Low
	Supplemental disclosures	High	Moderate	Low	-
Cost of revenues	Principal versus agent	High	Low	Moderate	-
	Inventory reserves and purchase commitments	Moderate	Moderate	Moderate	Moderate
Income taxes	Uncertain tax positions	Moderate	Moderate	Moderate	Moderate
Loss contingencies[2]	Evaluation of possibility / probability and associated disclosures	High	High	High	High
Long-lived assets and goodwill	Impairment assessment (Technical Infrastructure including E&O)	High	Moderate	Moderate	Moderate
	Reporting unit identification	High	Moderate	Moderate	-
	Useful life assessment	High	Moderate	Low	Low
Fair value measurements	Impairment and measurement of non-marketable investments	Moderate	Moderate	Moderate	Moderate
	Measurement of Other Bets share based compensation awards	Low	Moderate	Moderate	High
Business combinations	Fair value of assets acquired and liabilities assumed	High	Moderate	Moderate	Moderate

[1] Fraud risk related to overstatement of auction-based revenue due to management manipulation of online spam filters to inappropriately recognize revenue related to invalid clicks and impressions

[2] Final CAM. Refer to "Critical Audit Matters (CAMs)" slide

[3] Determination of significance driven by potential material impact to the financial statements

EY

Appendix B
Audit opinion – DRAFT

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To the Stockholders and the Board of Directors of Alphabet Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Alphabet Inc. (the Company) as of December 31, 2021 and 2022, the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 2, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Loss Contingencies

Description of the Matter	The Company is regularly subject to claims, suits, regulatory and government investigations, other proceedings and consent orders involving competition, intellectual property, privacy and security, tax and related compliance, labor and employment, commercial disputes, content generated by its users, goods and services offered by advertisers or publishers using their platforms, personal injury, consumer protection, and other matters. As described in Note 10 to the consolidated financial statements "Commitments and Contingencies" such claims, suits, regulatory and government investigations, other proceedings, and consent orders could result in adverse consequences. Significant judgment is required to determine both the likelihood, and the estimated amount, of a loss related to such matters. Auditing management's accounting for and disclosure of loss contingencies from these matters involved challenging and subjective auditor judgment in assessing the Company's evaluation of the probability of a loss, and the estimated amount or range of loss.
How We Addressed the Matter in Our Audit	We tested relevant controls over the identified risks associated with management's accounting for and disclosure of these matters. This included controls over management's assessment of the probability of incurrence of a loss and whether the loss or range of loss was reasonably estimable and the development of related disclosures. Our audit procedures included gaining an understanding of previous rulings issued by regulators and the status of ongoing lawsuits, reviewing letters addressing the matters from internal and external legal counsel, meeting with internal legal counsel to discuss the allegations, and obtaining a representation letter from management on these matters. We also evaluated the Company's disclosures in relation to these matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1999.

San Jose, California
February 2, 2023

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To the Stockholders and the Board of Directors of Alphabet Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Alphabet Inc.'s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Alphabet Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2022 consolidated financial statements of the Company and our report dated February 2, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California

February 2, 2023

Appendix C
PCAOB rule 3526 independence letter – DRAFT

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February 2, 2023

The Audit and Compliance Committee of the Board of Directors
Alphabet Inc. ("the Company")

Pursuant to Rule 3526 of the Public Company Accounting Oversight Board ("PCAOB") *Communication with Audit Committees Concerning Independence*, Ernst & Young LLP ("we", "our" or "EY") communicates at least annually with you regarding all relationships between EY and its associated entities and the Company and its affiliates, or persons in financial reporting oversight roles at the Company that may reasonably be thought to bear on EY's independence.

In that regard, we wish to report the following matters:

EY has contracts to purchase certain Google Cloud Platform services and Google Advertising from the Company. Management has informed us that the contracts are in the ordinary course of business and the terms and conditions are "at market", as compared to other buyers at similar levels of spending. We have concluded that there is no effect on EY's independence with respect to these contracts. In reaching that conclusion, we considered the US SEC independence rules applicable to this situation, which permit business relationships between an audit client and the firm or covered person in the firm when the firm or covered person is a consumer in the ordinary course of business.

We identified four personal financial relationship matters, which are inconsistent with the SEC and PCAOB independence rules. Our policies require professionals to determine the permissibility of holding any financial interest both prior to acquiring and while holding the interest, and professionals' reported holdings are monitored using procedures and systems that provide reasonable assurance that independence is maintained.

- An EY partner who provided more than 10 hours of non-audit services to Alphabet Inc. during the fiscal year and who resided in the same office as the lead audit partner, invested in a Fund that held greater than 20% of the fund in Alphabet stock. This breach occurred due to the fact the EY professional was not aware of the fund's concentration in Alphabet stock until the professional was notified through our monitoring system. This breach was resolved promptly upon identification by divesting of the investment.
- An EY partner who resided in the same office as the lead audit partner, invested in a Fund that held greater than 20% of the fund in Alphabet stock. This breach occurred due to his financial advisor's miscalculation of the concentration of Alphabet stock comprising the Fund, and the professional was notified through our monitoring system. This breach was resolved promptly upon identification by divesting of the investment.
- The spouse of an EY professional who provided more than 10 hours of non-audit services to Alphabet Inc. during the current and prior fiscal years, invested in Alphabet stock. The EY professional was not aware of her spouse's investment. This breach occurred due to the lack of communication by the professional's spouse and was resolved promptly upon identification by divesting of the investment.

EY
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- An EY manager who was a member of the Alphabet Inc. audit engagement team, and spent less than 10 hours on the engagement, during the fiscal year invested in a Fund that held greater than 20% of the fund in Alphabet stock. This breach occurred as her financial advisor did not check the permissibility of the Fund prior to purchasing it on her behalf. The investment occurred after the EY manager ceased providing services as a subject matter resource. The EY professional was not aware of the stock ownership until she was notified through our monitoring system. This breach was resolved timely upon identification by divesting of the investment.

For the second and third matter noted, we have considered the requirements of Regulation S-X, Rule 2-01(d), and we believe that we can rely on the safe harbor provision to conclude that EY's independence was not impaired with respect to this matter.

We considered the following when assessing the impact of these breaches: 1) for the first three matters, these professionals were never part of the audit engagement team; 2) these matters were identified by EY's Quality Control process; 3) the investments were immaterial to the net worth of the professionals and their immediate family members; and 4) the breaches did not create a mutuality of interest with Alphabet, place EY in a position of auditing its own work, or result in EY acting as management.

Based on our assessment of the facts and circumstances surrounding these matters, individually and in the aggregate, and the applicable independence rules, including the SEC's general standard of independence, we have concluded that our objectivity and impartiality with respect to all issues encompassed within our audit engagements have not been impaired, and we believe that a reasonable investor with knowledge of all relevant facts and circumstances would reach the same conclusion.

We are not aware of any other relationships between EY and its associated entities and the Company and its affiliates or persons in financial reporting oversight roles that may reasonably be thought to bear on EY's independence since February 1, 2022, the date of EY's last communication.

Accordingly, relating to EY's audits of the financial statements of Alphabet Inc. as of December 31, 2021 and 2022 and for the years then ended, except for the breaches set forth above, we would be independent in compliance with PCAOB Rule 3520.

This letter is intended solely for the information and use of the Audit Committee of the Board of Directors, management and others within the Company and should not be used for any other purposes.

Appendix D
Material written communications

Material written communications

(Provided electronically)

Legal letters

- Q4 2021 update letter
- Q1 2022 interim review and update letter
- Q2 2022 interim review and update letter
- Q3 2022 interim review and update letter
- Q4 2022 year-end and update letter

Management representation letters

- FY2021 year-end audit[1]
- Q1 2022 interim review
- Q2 2022 interim review[1]
- Q3 2022 interim review
- Q4 2022 year-end letter

Other matters required to be communicated if and when applicable

- None

[1]Management representation letters covered February 2022 Form S-3ASR and July 2022 Form S-8 consents.

Appendix E
Required communications

EY

Required communications

Area	Comments
▸ Auditor's responsibility under PCAOB standards, including a draft of the auditor's report and our evaluation of the financial statement presentation	Refer to the auditor's report in **Appendix B.** We have reviewed a draft of the Form 10-K and evaluated the presentation of the financial statements and related disclosures is in conformity with the applicable financial reporting framework.
▸ Changes to the planned audit strategy, timing of the audit and significant risks initially identified	Our audit strategy is consistent with the plan communicated during the July 2022 Audit and Compliance Committee meeting aside from updates referenced in "Executive summary" and other areas herein. As discussed with you in July 2022, professional standards require that we consider the risk of management override of controls to be a fraud risk on all audits. We performed audit procedures, including our journal entry testing, to be responsive to this risk.
▸ We communicate significant changes to the names, locations and planned responsibilities of other firms (including EY member firms or persons) or persons not employed by the same firm as the firm issuing the report (e.g., Ernst & Young LLP in the US) supporting the audit. Note that the following participants were communicated in our audit plan in July 2022: Global Delivery Services (GDS): EY Global Delivery Services India LLP Ernst & Young LLP (India) EYGBS (India) LLP EY GDS (CS) Philippines, Inc. Other EY member firms: Ernst & Young LLP (United Kingdom) Mancera, S.C. (Mexico)	In addition to the EY firms communicated in our audit plan, the following other participants were involved in our audit: Global Delivery Services (GDS): EY GDS CS Mexico S.C. Other EY member firms: Ernst & Young GmbHt Wirtschaftspruefungsgesellschaft (Germany) Ernst & Young Chartered Accountants (Ireland) Non-EY Firm: McConnell & Jones, LLP Individuals from the GDS and other EY member firms performed objective audit procedures and test of controls including IT related procedures associated with certain accounts. An individual from the non-EY firm assisted with IT planning and walkthroughs. All procedures performed were directly supervised and reviewed by professionals employed by Ernst & Young LLP.

Required communications

Area	Comments
▸ Matters relevant to our evaluation of the entity's ability to continue as a going concern	We did not identify any events or conditions that led us to believe there was substantial doubt about the Company's ability to continue as a going concern.
▸ Significant accounting policies and critical accounting estimates, including qualitative aspects, our assessment of management's disclosures and our conclusion regarding reasonableness	We have reviewed and evaluated significant accounting policies and critical accounting estimates as outlined in the Form 10-K draft and consider these policies appropriate. Refer to "Management's judgments and estimates" where we have discussed our conclusions and observations over such matters we determine most critical to our audit.
▸ Related party relationships and transactions	We noted no significant matters regarding the Company's relationships and transactions with related parties.
▸ Fraud and noncompliance with laws and regulations (illegal acts)	We are not aware of any matters that require communication.
▸ Obtain information relevant to the audit	Inquiries regarding matters relevant to the audit are to be performed at this meeting.
▸ Independence matters	Our independence letter under PCAOB Rule 3526 is included in **Appendix C** to these materials.
▸ Audit committee preapproval/pre-concurrence of services**	Refer to **Appendix G** and management's presentation for the preapproval of EY services.
▸ New accounting pronouncements	No issues have been identified with regard to management's planned application of new accounting pronouncements.
▸ Fees and related SEC disclosures	FY2022 services and fees were pre-approved by the committee during the January 2022 Audit and Compliance Committee meetings. Proposed FY2023 services and fees are included in "Pre-approval of services" to **Appendix G.**
▸ Significant unusual transactions	We are not aware of any significant unusual transactions executed by the Company.

Required communications

Area	Comments
▸ Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention ▸ Disagreements with management and significant difficulties encountered in dealing with management when performing the audit ▸ Management's consultations with other accountants ▸ Material alternative accounting treatments discussed with management	None.
▸ Difficult or contentious matters subject to consultation outside of the audit team	None.
▸ Corrected misstatements related to accounts and disclosures ▸ Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial	We did not identify any matters outside of those identified and communicated by Management.
▸ Significant deficiencies and material weaknesses in internal control over financial reporting*	No material weaknesses were identified in the 2022 audit. We have communicated to management all deficiencies in ICFR.
▸ Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements	We have reviewed the Company's draft Form 10-K and did not identify anything requiring communication. We will review the 2023 annual report to stockholders and the 2023 proxy statement when provided by the Company.
▸ Management's Section 302 disclosures about changes in internal control that require modification to be accurate	We are not aware of any matters that would lead us to believe that the Company's fourth-quarter disclosures over changes in internal control over financial reporting are inaccurate.
▸ Additional information included in management's report on internal control	We are not aware of any such matters regarding the Company's report on internal control.

Required communications

Area	Comments
▸ Other material written communications with management	Refer to **Appendix D** for a summary of material written communications with management which were shared with the Audit and Compliance Committee.
▸ Other matters	In Q4, 2022, Dave Cabral became the global client service partner. Dave replaced Matt Sapp, who is on medical leave. Dave will complete all responsibilities of the global client service partner prior to the issuance of the 2022 Form 10-K. There were no other changes to the executive audit team. There are no other matters arising from the audit that are significant and relevant to the audit committee regarding the oversight of the financial reporting process.
▸ AICPA ethics ruling regarding third-party service providers	From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.
▸ Representations we are requesting from management	The letter of representations constitutes material written communications. Refer to **Appendix D** for a summary of material written communications with management.

As required, provided above is a summary of required communications between the audit team and the audit committee, as required by Auditing Standard (AS) 1301, *Communications with Audit Committees*, and other applicable auditing standards. This communication is intended solely for the information and use of the audit committee and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.

IESBA pre-concurrence

Entities for which IESBA pre-concurrence is required

In seeking International Ethics Standards Board for Accountants (IESBA) pre-concurrence, Alphabet's preapproval service categories communicated in **Appendix G** are supplemented by the general policy presented below in order to satisfy the new IESBA pre-concurrence requirement with respect to NAS that EY may provide to Alphabet and its consolidated affiliates. The IESBA standards also require pre-concurrence for NAS that EY may provide to the entities that control Alphabet, as well as any unconsolidated controlled entities. Neither of those exist in Alphabet's current ownership structure.

General policy

Pre-concurrence for NAS may occur either on an individual engagement basis, or under a general policy, or a combination of both. NAS for which we are requesting pre-concurrence herein based on this general policy include the service categories in **Appendix G** (Attachment I). For any matters not specifically covered, we will seek future concurrence from either the Audit and Compliance Committee or its delegate (its Chairperson). The entities to which this general policy applies are those explained above. To the extent that there are multiple PIE entities under audit within Alphabet's corporate structure, this general policy and related pre-concurrence shall be centralized and used for all such PIE entities under audit.

For all services for which we are requesting pre-concurrence, EY fees will be fixed or hourly based and agreed with management; the fees will not be contingent on the finding or result of the service. In evaluating the permissibility of NAS, EY considered whether the proposed service creates a mutual or conflicting interest between EY and Alphabet, places EY in a position of auditing its own work, results in EY acting as management or an employee of Alphabet, or places EY in a position of being an advocate for Alphabet. Our evaluation of independence also considers the combined effect of providing multiple services.

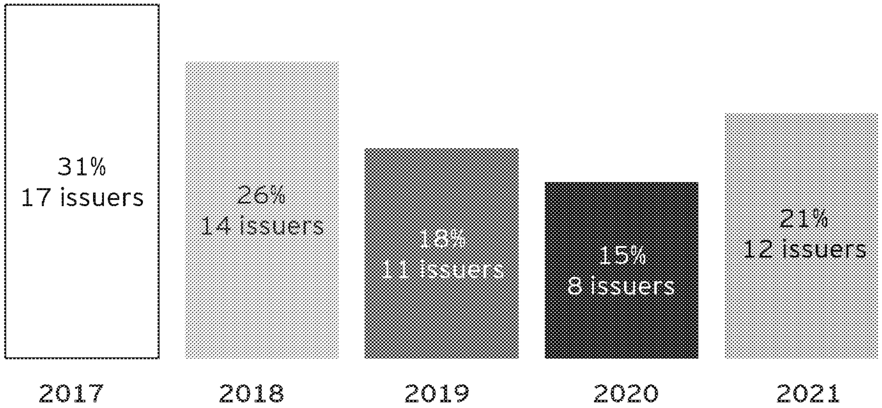
EY's provision of NAS will not create a threat to EY's independence as auditor of Alphabet, or any threat that is identified will be at an acceptable level or, if not, will be eliminated, or reduced to an acceptable level. We have evaluated the proportion of non-audit to audit services fees and the threat created by the level of fees and deem them to be at an acceptable level.

EY

Appendix F
Other updates

PCAOB 2021 inspection report summary

Part I.A results – Five-year trend



Our Part I.A inspection findings increased in 2021. We have taken comprehensive actions to address the issues identified in 2021, as well as in 2022, and are confident that the actions we are taking are the right ones.

Part I.B of the 2021 PCAOB inspection report

Part I.B includes findings of non-compliance with PCAOB rules or standards that are not directly related to the sufficiency or appropriateness of evidence obtained to support our audit opinions. In 2021, there were Part I.B findings relating to audit committee communications, critical audit matters, Form AP, reporting matters and archiving.

We have already implemented corrective actions to address the IT-related and revenue-related findings.

Key considerations from our 2021 PCAOB inspection report

- A large portion of the Part I.A findings were IT-related, including testing of IT general controls, IT application controls and IT-dependent manual controls
- The most common audit area selected for inspection was revenue and revenue-related accounts. This is also the area with the most findings.
- Sustained improvement in auditing estimates and higher-risk accounts
- No restatements as a direct result of the inspection process

A challenge to the profession

- The PCAOB staff has indicated in its December 2022 Spotlight, *Staff Update and Preview of 2021 Inspection Observations* (pcaobus.org), that it expects approximately 33% of all of the audits it reviewed in 2021 will have one or more deficiencies that will be discussed in Part I.A of the individual audit firm's inspection reports, up from 29% in 2020.

- The PCAOB staff also expects that approximately 40% of the audits reviewed in 2021 will have one or more deficiencies discussed in Part I.B of the individual firm's inspection reports, up from 26% in 2020.

- The PCAOB has also indicated that it is seeing increased comment forms for both US and non-US firms in its 2022 inspections.

At EY, we are focused on improving audit quality at all levels and we have implemented both short-term and longer-term actions focused on continuous improvement and fulfilling our role in the capital markets.

> “Firms must sharpen their focus and prioritize their efforts to increase audit quality and ensure investors are protected.
>
> Erica Y. Williams
> Chair, Public Company Accounting Oversight Board

EY

Driving quality through all levers of our business

We are taking immediate and substantial action throughout all aspects of our business to improve quality.

Implemented standardized IT audit approach

- In 2022, we implemented a more standardized audit methodology for the testing of IT application controls and IT general controls
- Ensuring teams across both core audit and financial audit IT have a shared understanding of data flows and processes

Investing in our people

- Focusing on retention, promotion and engagement across the firm, including recruiting auditors with backgrounds in STEM and building those capabilities on the job
- Investing in merit increases, benefits and professional development opportunities

Accelerating our ongoing transformation strategy

- Standardizing work programs, processes and documentation
- Increasing centralized support for both routine and nonroutine procedures
- Embedding Lean Six Sigma concepts into our audit execution

Optimizing our teaming model to respond to the remote working environment

- Reframing engagement team interactions to enhance on-the-job coaching, supervision and review, and prioritize in-person experiences

PCAOB 2021 inspection report summary

Part II of the 2021 PCAOB inspection report

The nonpublic Part II portion of our 2021 PCAOB inspection report contains observations about the firm's audit performance and system of quality control. The PCAOB's assessment of the firm's quality control system is based on its review of the firm's quality control policies and procedures, as well as inferences drawn from the deficiencies in audit performance identified in the inspection.

Upon receiving a PCAOB inspection report, the firm has 12 months from the date of the inspection report to develop our remediation response. We provide to the PCAOB our initial plans to address each Part II observation within 60 days of the issuance of a PCAOB inspection report, and we proactively work with the PCAOB inspection staff to develop successful remediation responses throughout the 12-month period.

In October 2022, the PCAOB publicly released one criticism included in Part II of our 2018 inspection report because the Board determined we unsatisfactorily addressed the criticism of our quality controls over compliance with our independence policies for reporting of financial relationships. We understand and accept the criticism, and the firm has improved our personal independence reporting process by (1) making significant investments and enhancements to our global independence reporting and monitoring system, (2) increasing training and messaging from leadership, (3) adding significant internal resources to our independence support group, (4) proactively reaching out to our professionals and working with them to update their reporting and (5) instituting more severe consequences for reporting violations. Our responses to the remaining sections of Part II of our 2018 inspection report and our response to the entirety of Part II of our 2017 inspection report have been accepted by the PCAOB without any matters being publicly disclosed.

Inspection year	Year-end audits covered	Report date	12-month remediation end date	PCAOB status
2017	2016	12 September 2019	12 September 2020	Accepted
2018	2017	28 April 2020	28 April 2021	Partially accepted*
2019	2018	17 December 2020	17 December 2021	In-review
2020	2019	30 September 2021	30 September 2022	In-review
2021	2020	21 November 2022	21 November 2023	Open

* Accepted except as it relates to the criticism related to compliance by the firm's personnel with the firm's internal independence-related reporting requirements as described above.

Appendix: inspection procedures

During our 2021 inspection, the PCAOB inspection staff reviewed 56 of our issuer audits. The 2021 inspection generally covered audits of issuers' 2020 fiscal years. The PCAOB inspection staff selected certain areas of audits and reviewed the audit team's workpapers and interviewed audit personnel regarding those areas. For certain selected audits, the PCAOB inspection staff also reviewed written communications between the firm and the issuer's audit committee and interviewed the chairperson of the issuer's audit committee.

Part I.A of the PCAOB inspection report includes audits with deficiencies identified by the PCAOB that were considered of such significance that the PCAOB believed that the firm, at the time that it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion on the issuer's financial statements and/or ICFR.

In its report, the PCAOB indicates that because the inspection process evolves over time, it can, and often does, focus on a different mix of audits and focus areas from year to year and firm to firm. As a result of this variation, the PCAOB cautions that its inspection results are not necessarily comparable over time or among firms.

The PCAOB inspection staff commonly reviewed the following audit execution areas:

- Auditing internal controls over financial reporting
- Testing of controls over changes and access to IT systems (ITGCs)
- Testing of application controls
- Reliance on data and reports
- Auditor's response to the risks of material misstatement
- Auditing accounting estimates
- Substantive analytical procedures
- Auditing fair value measurements and disclosures
- Audit sampling
- Audit planning
- Multilocation scoping
- Use of the work of internal auditors or others
- Supervision of work performed by EY Global member firms
- Independence
- Form AP
- Audit opinions, including critical audit matters

In addition, to gain an understanding of emerging financial reporting and auditing risks associated with issuers that were formed by mergers between non-public operating companies and special purpose acquisition companies (SPACs), the PCAOB selected for review three reviews of interim financial information.

Appendix: our response to the PCAOB inspection report

Maintaining effective quality control processes is critical to the success of our audit practice. We believe that our system of quality control provides reasonable assurance that our audits meet applicable standards. We take all PCAOB observations seriously and have taken, and continue to take, actions to address all identified matters in the 2021 inspection report.

In addition, certain of the remedial actions we have taken may take time to fully implement, and our subsequent monitoring of the effectiveness of the actions taken may indicate the need for additional remedial actions. Therefore, we view the PCAOB's inspection process and our responses to the PCAOB's observations and recommendations as a continuous, iterative process that goes beyond any individual annual inspection reporting period. We believe that our views are consistent with the views expressed by the PCAOB in PCAOB Release No. 104-2006-077, as well as in *PCAOB Staff Guidance Concerning the Remediation Process* released in November 2013 as included on the PCAOB website (pcaobus.org).

Appendix G
Pre-approval of services

Preapproval of EY services

SEC rules and regulations require the audit committee preapprove all services provided by the principal auditor of an SEC issuer. We are requesting preapproval for the following services expected to be performed through the date of the audit committee meeting in January 2023. Descriptions on the following pages provide further detail of the scope of services for which preapproval is being requested. Refer to separate management materials - Pre-Approval of Certain EY Services - for the summary of FY22 Pre-approved vs Actual Incurred fees.

Proposed Services	2023 estimated fees
Audit services	[redacted]
Audit-Related services	[redacted]
Tax services*	[redacted]
Other services	[redacted]
Total **	[redacted]

Attachments:

- Refer to Attachment I for description of FY23 services for which management and EY request pre-approval from the Audit Committee to engage in necessary services.
- Refer to Attachment II for supplemental Information regarding other EY services (pre-approval not required).
- Refer to Attachment III for required communications for preapproval of tax and other non-audit services under PCAOB Rules 3524 and 3525.

* All fees for proposed tax services are based on a percentage of our standard hourly rates (or are presented as fixed fees based on our hourly rates, estimates of the time required to perform the work or a unit-based fee). None of the fee arrangements are contingent or findings based. Any expenses, applicable taxes or other charges, if any, will be billed as incurred.

There are no side letters or other amendments to the engagement agreements, or any other agreement (whether oral, written or otherwise) between EY and the Company related to the tax services, or any compensation arrangement or other agreement, such as a referral agreement, a referral fee or fee-sharing agreement, between EY and any third party with respect to the promoting, marketing or recommending of a transaction covered by the tax services.

** We have evaluated the proportion of non-audit to audit service fees and the threat created by the level of audit fees and deem them to be at an acceptable level.